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ABSTRACT

A study of the rate of growth in Stafford student loan debt levels compiled average indebtedness figures for graduate students, undergraduate students, proprietary students, and students enrolled in community colleges and other 2- and 3-year institutions. The study also attempted to develop payment stress indicators by tracking payment status data using reports from the USA Group loan serving portfolio. Stafford indebtedness has risen every year since 1995 for each of the four categories of students in the study. The rate of increase lessened in 1999 for graduate students and proprietary students but it increased for undergraduates and students attending community colleges and other 2- and 3-year schools. Cumulative Stafford indebtedness for graduate students who left school in the first 6 months of 1999 averaged $23,022, up 6.1% from 1998. The average cumulative Stafford balance for undergraduate students rose 3.4%, in 1999, to $9,805. Students attending community colleges and other 2- and 3-year colleges had the smallest total Stafford debt, but many of these students are also eligible for the Pell grant program. Projecting future growth rates is difficult, and a key factor is the presence of federal limits on how much students can borrow each year. At present, the majority of community college, proprietary, and undergraduate students owe less than $10,000 when they leave school, but this group is shrinking. The study of payment stress indicates that student loan repayment burdens appear to be manageable for most borrowers, at least for the time being. (SLD)

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Student Debt Levels Continue To Rise

Stafford Indebtedness: 1999 Update

Patricia M. Scherschel, USA Group, Inc.

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June 2000

Student Debt Levels Continue to Rise

Stafford Indebtedness: 1999 Update

by Patricia M. Scherschel

Director, Policy Research and Consumer Issues
USA Group, Inc.

Since the inception of the federal education loan program in the mid-1960s, students and their parents have borrowed more than $300 billion to finance the cost of college. American families required nearly 30 years to borrow the initial half of this amount but only five years to borrow the second $150 billion.[1]

Fueled by this rapid rise in borrowing during the 1990s, federal loans now comprise the single largest source of financial aid. During the 1999-2000 academic year, students can expect to receive more than $65 billion in financial assistance, and federal loans will account for $58 of every $100 they receive.[2] Just six years ago, loans provided 47 percent of all aid awarded.

The ranks of students who borrowed also expanded during the 1990s but not as fast as the growth in annual volume of Stafford loans, the government's primary student loan program. Over the past six years, the total annual volume of subsidized and unsubsidized student loans rose 54 percent, to $30.3 billion in the 1998-99 academic year from $19.6 billion in 1993-94. At the same time, however, the number of student borrowers rose 32 percent, and the average annual amount borrowed rose 16 percent, to $5,772 from $4,956.[3] As a result, the 1990s witnessed a rapid increase in the average cumulative Stafford debt burden borne by students when they leave school.

According to the latest findings of an ongoing student indebtedness study conducted by USA Group®, average cumulative Stafford indebtedness continued to rise in 1999. Total Stafford loan balances, including accrued interest on unsubsidized loans, rose at annual rates ranging from 3.5 to 6.8 percent, depending on the type of institution. These increases pushed average indebtedness for students who left school in the first six months of 1999 to $24,479 for graduate students, $10,173 for undergraduates, $8,541 for

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proprietary school students, and $4,728 for students attending community colleges and other two- and three-year schools.

USA Group's research indicates a general slowing in the annual growth rate in Stafford indebtedness. The annual rate of increase for graduate students and proprietary school students has declined significantly in each of the past three years. The growth rates for undergraduate and community college debt levels, however, rose in 1999, following two years of decline.

Despite the rapid increase in average Stafford loan balances, a key measure of borrower stress—the percentage of borrowers who are delinquent in making payments—has been moving downward since 1995. Although bigger loan balances mean bigger monthly installments, persistent economic growth is boosting starting salaries and, thus, easing monthly payment burdens. Even so, the USA Group study found that a growing number of borrowers are seeking to repay their loans under a reduced payment plan.

About the Study

USA Group's research indicates a general slowing in the annual growth rate in Stafford indebtedness. The annual rate of increase for graduate students and proprietary school students has declined significantly in each of the past three years.

Several years ago, USA Group began a long-term research project designed to track the growth rate in Stafford debt levels. The study measures the cumulative Stafford loan balances of borrowers as they leave school and enter the six-month post-school grace period. The data are drawn from the $15 billion portfolio of student loans that are serviced by USA Group on behalf of more than 130 lenders and secondary markets. Each year's data compilation covers all of the Stafford borrowers who graduated or left school for other reasons during the first six months of the year.

USA Group measures Stafford indebtedness in two ways: (1) the total amount of Stafford loans disbursed and (2) cumulative Stafford loan balances plus any interest that has accrued on any unsubsidized Stafford loans before the borrowers left school. Unsubsidized Stafford loans now account for fully two-fifths of all Stafford loans issued, based on data for the 1998-99 financial aid award year. In 1991-92, less than 16 percent of all student loans were unsubsidized.[4] (See Figure 1, p. 12.) At current interest rates, accruing interest can add $63 to $71 a year for every $1,000 in unsubsidized loan balances. Because most students elect to defer the interest on their unsubsidized Stafford loans, accrued interest can significantly increase the total debt burden.

The study compiles average indebtedness figures for four different categories of borrowers: graduate students, undergraduates, proprietary students, and students enrolled in community colleges and other two- and three-year institutions. The study, however, cannot differentiate between public and private institutions.

Because the study includes the accounts for all of the borrowers who meet these criteria—approximately 75,000 to 85,000 students each year—the study is not subject to sampling error. The study, however, does not cover any Stafford loans serviced by other companies. Nor does it include other types of debt, including Federal Perkins loans (low-interest rate loans that are awarded to students who demonstrate significant financial need), private education loans, and credit card debts. Thus, the USA Group student indebtedness estimates can be considered the minimum amount students borrow, on average, to pay for college.

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The study also seeks to develop several payment-stress indicators by tracking payment status data. These data are drawn from quarterly payment status reports from the entire USA Group loan servicing portfolio. In addition, the study examines payment plan selection rates among borrowers who have recently entered repayment or consolidated their loans. In addition to a 10-year, level-payment plan, borrowers can select the graduated or income-sensitive repayment options, which, at least initially, offer lower monthly payments than the standard repayment plan.

Summary of Findings

As shown in Charts 1-4, average Stafford indebtedness has risen every year since 1995, in each of the four categories of students covered by the USA Group study. Although the annual rate of increase continued to decline in 1999 for graduate students and proprietary students, the rate of increase accelerated for undergraduates and students attending community colleges and other two- and three-year schools.

Graduate students. Cumulative Stafford indebtedness for graduate students who left school in the first six months of 1999 averaged $23,022, up 6.1 percent from 1998. The 1999 rate is approximately one-seventh the 41.6 percent rate posted in 1996. Since 1995, average Stafford indebtedness for grad students has increased at a compounded average annual rate of 19.6 percent (see Figure 2, p. 13).

Graduate students left school in 1999 with a total average Stafford balance, including accrued interest, of $24,479, up 6.7 percent from 1998. During the past four years, graduate student debt loads have risen at a compounded average annual rate of 21.2 percent.

Accrued interest accounted for $1,457, or 6.33 percent, of the total graduate loan balance. In 1995, accrued interest added only $103 to the average graduate student debt burden. Accrued-but-unpaid interest is capitalized and added to the principal balance at the start of repayment. At current interest rates, capitalizing $1,457 would increase the monthly payment by approximately $17 a month, assuming a 10-year repayment period and increase total payments by $2,075.

Two factors should be kept in mind when comparing cumulative graduate debt against cumulative undergraduate debt figures shown below. First, USA Group's graduate student data include loans used to finance undergraduate degrees as well as graduate studies. Second, the graduate student population covered by the USA Group study includes medical, law and other professional degree students as well as graduates who are seeking master's and doctoral degrees in the arts and sciences.

Undergraduate students. The average cumulative Stafford balance for undergraduate students rose 3.4 percent, in 1999, to $9,805. In 1998, the typical undergraduate debt level—excluding accrued interest—rose 0.4 percent to $9,484. Over the past four years, undergraduate debt levels have increased at a compounded, average annual rate of 3.7 percent.

Average Stafford indebtedness has risen every year since 1995, in each of the four categories of students covered by the USA Group study. Although the annual rate of increase continued to decline in 1999 for graduate students and proprietary students, the rate of increase accelerated for undergraduates and students attending community colleges and other two- and three-year schools.

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Accrued interest pushed the total average Stafford balance above $10,000 in 1999.

Undergraduates who left school during the first six months of the year owed, on average, $10,173, up 3.5 percent from a year earlier.

Unpaid interest added, on average, $369 to the typical undergraduate Stafford debt.

Accrued interest pushed the total average Stafford balance above $10,000 in 1999. Undergraduates who left school during the first six months of the year owed, on average, $10,173, up 3.5 percent from a year earlier. Unpaid interest added, on average, $369 to the typical undergraduate Stafford debt. In 1995, interest on unsubsidized Stafford loans was only $78.

Although total undergraduate indebtedness in 1999 grew at more than three times the rate of increase recorded in 1998, the 1999 gain is less than half the 8.8 percent increase posted in 1996. During the past four years, total average Stafford indebtedness for undergraduate students expanded at a compounded average annual rate of 4.4 percent—the slowest pace of increase among the four student categories.

Community college students. Among the four borrower categories, students who attend community colleges and other two- and three-year schools accumulate the smallest Stafford total debt. Several factors account for this difference. First, community colleges tend to charge much lower tuition and fees than do four-year schools, although tuition at private two-year schools can easily run into five figures. Many students are able to meet their costs through Federal Pell grants, family savings, current income, or a combination of these sources. For example, students who demonstrate financial need can receive up to $3,125 a year under the Pell grant program, the largest federal source of grant aid. Third, students need only two or three years to complete their degrees. Federal loan rules limit Stafford loans to $6,125 for a dependent student pursuing a two-year associate's degree ($2,625 for the first year and $3,500 for the second).

On average, students who left community colleges in the first six months of 1999 had borrowed $4,559 in Stafford loans, up 4.2 percent from 1998. During the past four years, the average community college Stafford balance has risen at a compounded average annual rate of 6.6 percent.

Accrued interest accounted for $168, or 3.7 percent of the total cumulative Stafford balance for community college students who left school in 1999. In 1999, average Stafford indebtedness, including unpaid interest, rose to $4,728, up 4.5 percent from the year-earlier level. Average total Stafford indebtedness for community college students has risen at a compounded average annual rate of 7.3 percent.

Proprietary school students. Students who left for-profit, vocational schools in the first six months of 1999 had borrowed, on average, $8,237 in Stafford loans—6.8 percent more than the proprietary school students who left school in 1998. Average cumulative Stafford borrowing by this student group has been rising at a compounded average annual rate of 13.4 percent since 1995.

Total Stafford indebtedness, including accrued interest, for proprietary students in 1999 also rose by 6.8 percent, to $8,541. Over the past four years, total average Stafford debt levels have increased at a compounded average annual rate of 14.1 percent. Proprietary school students owed, on average, $304 in accrued interest when they left school in 1999; in 1995, accrued interest accounted for only $56 of the total debt burden.

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How Much Higher?

Just how high can we expect student debt burdens to rise in the early years of the 21st century? Based on the available trend data compiled by USA Group, the yearly pace of debt growth is slowing. Still, projecting future growth rates is a risky endeavor. Student borrowing behavior, in the aggregate, is subject to a variety of push-pull factors simultaneously boosting and reducing demand for Stafford loans.

A key factor is the presence of federal limits on how much students can borrow each year. The current disbursement maximums were put in place in the early 1990s and helped fuel the huge jump in aggregate Stafford loan volume in 1994 and 1995. These limits, which range from $2,625 for a dependent freshman to $18,500 (see accompanying table) were left in place by the 1998 legislation that reauthorized the federal higher education programs for the next five years. By restricting annual loan awards, these limits serve as an internal brake on future Stafford debt growth.

Viewing USA Group's Stafford data across a range of debt levels indicates that the majority of borrowers leave school with debt levels that are well below their statutory maximums. (See Tables II-1, II-2, II-3, and II-4 on pp. 26-29.) Still, the percentage of borrowers who leave school with substantial debt levels—$10,000 or more—has risen steadily over the five years covered by the study.

As shown in Figure 3, page 14, the majority of community college, proprietary school, and undergraduate students owe less than $10,000 when they leave school. Still, this group is shrinking. Of these three categories, proprietary school students have experienced the most pronounced decline. In 1995, 91.4 percent of borrowers in this category owed less than $10,000 when they left school. By 1999, this group accounted for only 68.5 percent.

Still, graduate students show the sharpest decline—34.3 percent—in the less-than-$10,000 club. Four years ago, nearly three-fifths—57.2 percent—of graduate school students owed less than $10,000 upon leaving school. Now, only 37.6 percent manage to limit their cumulative Stafford borrowings to four figures.

The ranks of borrowers who owe $10,000 or more are growing rapidly, especially among proprietary and even community college students. (See Figure 4, p. 14.) During the past four years, the share of heavily indebted graduate students rose nearly 46 percent to 62.4 percent, while the share of undergraduates rose 19 percent to 40.1 percent. The share of proprietary students in this category nearly quadrupled to 31.5 percent, while the community college group tripled, growing from 2.4 percent to 9.2 percent.

The USA Group study found a significant increase in the seriously indebted—those borrowers who $25,000 or more in Stafford loans when they leave school. (See Figure 5, p 14.) Since 1995, the percentage of graduate students in this category has nearly tripled, rising from 10.0 percent to 28.0 percent. The undergraduate share has more than doubled, increasing to 6.7 percent in 1999 from 3.0 percent in 1995. Relatively few proprietary school students can be found in this group, but even their ranks are growing at a rapid pace. In 1995, only one-tenth of 1 percent owed $25,000 or more upon leaving school.

Still, projecting future growth rates is a risky endeavor. Student borrowing behavior, in the aggregate, is subject to a variety of push-pull factors simultaneously boosting and reducing demand for Stafford loans.

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Student indebtedness is also subject to "push" forces. The cost of a postsecondary degree continues to rise faster than the general rate of inflation and family household incomes.

In 1999, nearly 3 percent have Stafford debts of $25,000 or more. Community college students are not yet members of this group.

Anecdotal evidence suggests that a significant number of students at private and other high-cost institutions are "maxing out" under the Stafford program. This means that there is a base group of borrowers in each Stafford cohort that simply cannot borrow more under the Stafford loan program than their predecessors.

Maxing out under the Stafford loan program does not necessarily mean that students are effectively limited in how much they can borrow to fund their studies. An increasing number of students are turning to higher-cost private loans to fund the shortfall between the aid they receive in grants and federal loans and the cost of attendance. Private loan volume has soared in recent years, from $1.2 billion in 1996 to more than $2.4 billion in 1999.[5] Private loans are being used not only by graduate students attending high-cost professional schools but also by a growing number of undergraduates, including dependent freshmen and sophomores. Private loans carry substantially higher interest rates than do Stafford loans, and the financial aid community may increase pressure on Congress to increase annual Stafford limits in an effort to reduce total post-school debt burdens.

Conversely, many borrowers will never have the opportunity to borrow the maximum Stafford loan amount. Stafford loan eligibility is limited to the cost of attendance minus other aid. Thus, at community colleges and other low-cost schools, many students are able to meet their college funding needs primarily through Pell grants, savings, or income, and loans. This factor also exerts downward pressure on the rate of growth in average Stafford indebtedness.

Other factors could curb the appetite for Stafford loans. These include recent legislative changes that increased the maximum Pell Grant award, initiated a lifetime learning credit, introduced the Hope tax, and created the Roth Individual Retirement Account that makes it less painful to withdraw IRA funds for education.

Student indebtedness is also subject to "push" forces. The cost of a postsecondary degree continues to rise faster than the general rate of inflation and family household incomes. According to The College Board, during the past 10 years, average tuition rose 53 percent (adjusted for inflation) at four-year public schools and 41 percent at private colleges. In contrast, the median income for families headed by individuals aged 45 – 54, rose only 10 percent.[6] Families have not been able to fund this difference by dipping into savings or allocating more current income to covering college costs.

Ironically, the robust economy and strong job market for college grads may encourage more students to borrow as much money as possible to pay for their studies. At the same time, many parents may decide that their college-bound children should rely more heavily on loans as a source of college funds. Student loans, in essence, help shift the burden of who pays for college from the parents to the student.

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Indebtedness v. Debt Burden

Increasing Stafford balances are not, by themselves, a sign of debt troubles. True, bigger balances generally require bigger monthly payments. But in gauging whether debts are becoming more burdensome, monthly installment amounts should be measured against the borrower's income. Student loans become a burden when the borrower's earnings growth is insufficient to keep the monthly payment to an acceptable percentage of income.

Lenders frequently recommend that borrowers limit their monthly student loan payments to no more than 8 percent of their pre-tax monthly incomes. Although arbitrary, this guideline helps ensure that monthly installments remain a manageable share of household budgets.

The 8 percent rule, generally known as the debt burden ratio, suggests a method for evaluating the manageability of average Stafford loan balances. The USA Group study calculates the minimum annual income needed to keep the monthly payment to 8 percent or less of monthly earnings. For example, to repay the typical undergraduate Stafford balance of $10,173 under the standard, 10-year repayment plan, a borrower must make monthly payments of $123, assuming a constant interest rate of 8 percent. To ensure that the monthly payments do not claim more than 8 percent of income, the borrower would have to earn $18,450 (see Figure 6, p. 15). According to the National Association of Colleges and Employers, members of the collegiate Class of 1999 could generally expect to receive starting salary offers of at least $20,000 to more than $45,000, depending on their field of study and chosen occupation.

Lenders frequently recommend that borrowers limit their monthly student loan payments to no more than 8 percent of their pre-tax monthly incomes.

Community college and proprietary students would be able to meet the 8 percent debt burden ratio with substantially lower incomes. To comfortably support a Stafford balance of $4,728, community college students would need to earn $8,550 or more. Proprietary school students must earn at least $15,450 annually to maintain the 8 percent ratio in repaying the typical trade school balance of $8,551. In contrast, graduate students must earn a minimum annual income of $44,550 to comfortably repay their average Stafford debt burden of $24,479.

The study's debt burden analysis assumes a constant interest rate of 8 percent throughout the 10-year repayment period. In reality, borrowers who entered repayment in 1999 could expect their first 12 months' worth of payments to be less than the amounts quoted above. Due to changes in the interest rate formulas for Stafford loans and a downward trend in short-term interest rates in the first half of 1999, Stafford repayment rates ranged from 6.92 percent to 7.72 percent for most borrowers. The reduction in rates, coupled with a potential federal income tax deduction for student loan interest, significantly reduced the student loan debt burden for thousands of student borrowers last year.

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Indicators of Payment Stress

Admittedly, the 8 percent debt-to-income ratio is an arbitrary measure or predictor of whether student loan payments are manageable. Borrowers who have substantial amounts of non-Stafford debts, such as revolving credit card balances or private education loans, may experience difficulty at ratios well-below 8 percent. Others with good incomes or sound budgeting skills may easily shoulder monthly payments that claim 10 to 15 percent of their gross monthly pay. Also, lenders and loan servicers are usually unaware of the incomes their Stafford borrowers earn during the repayment period. For these reasons, the debt-to-income ratio does not provide a practical means of gauging payment stress among a portfolio of Stafford borrowers.

USA Group is following changes in several key characteristics of its loan servicing portfolio in an effort to identify indicators of payment stress. Assuming that borrowers who are having difficulty in making their monthly payments will seek to avoid delinquency, the USA Group study tracks the use of reduced payment options such as the graduated and income-sensitive repayment plans by borrowers who are entering repayment and the percentage of Stafford borrowers who use deferment or forbearance to postpone their payments.

The study's results to date show that a growing percentage of borrowers entering repayment are electing to repay their loans under the graduated repayment plan, which can reduce the initial monthly payments by more than 30 percent.

The study's results to date show that a growing percentage of borrowers entering repayment are electing to repay their loans under the graduated repayment plan, which can reduce the initial monthly payments by more than 30 percent, or the income-sensitive repayment plan, which can reduce the initial monthly payment by at least 45 percent (assuming a constant interest rate of 8 percent). As shown in Chart 5 on page 20, 8.7 percent of Stafford borrowers who entered repayment during the 12 months that ended June 30, 1999, selected graduated repayment, up slightly from the 8.5 percent in 1998. Income-sensitive remains a rarely used option, with only 61 in 10,000 borrowers electing to tie their payments to 4 percent of their incomes, although it should be noted that the share of borrowers selecting income-sensitive repayment has more than doubled since 1997. Still, slightly more than nine in 10 Stafford borrowers continue to rely on the standard, 10-year, equal-installment repayment plan.

Interestingly, new consolidation loans are more than twice as likely to be repaid under the graduated repayment plan than Stafford loans that have just entered repayment. Chart 6 on p. 20 shows that nearly 21 percent of new consolidation loans added to the USA Group portfolio between July 1998 and June 1999 are being repaid under a graduated repayment plan. In 1995, approximately 16 percent used graduated repayment. This is significant, since level-payment consolidation loans can reduce monthly payments by approximately 17 to 40 percent because the borrower spreads the payments over 15 to 30 years. Many borrowers appear to be willing to pay double or triple the amount of interest for the opportunity to cut their monthly payments in half under a graduated payment consolidation loan.

The reader should bear in mind that the study cannot determine whether borrowers are seeking to reduce their monthly payments to avoid delinquency, finance a plusher lifestyle, or pay for other elements. The reduced payments could be used to spare more income for rent, food, child care, or other essential expenses or if the borrowers are using

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consolidation. Alternatively, the graduated repayment plan can supply borrowers more money for discretionary consumer purchases such as expensive electronic equipment, upscale car leases, or a generous clothing allowance. Some borrowers may be electing graduated repayment in order to allocate more money to paying off high balances on their credit cards.

An ongoing analysis of the repayment status of USA Group's entire servicing portfolio of subsidized and unsubsidized Stafford loans indicates that the distribution of borrowers across the various payment categories appears to be stabilizing following a rapid increase in the use of forbearance in 1995, 1996 and early 1997. Both deferment and forbearance allow borrowers temporarily to postpone making payments on their loans. Over the past two years, the percentage of post-grace unsubsidized Stafford borrowers who are in forbearance has hovered between 17 and 20 percent. In mid-1995, less than 10 percent of unsubsidized Stafford borrowers were in forbearance. (See Charts 7-8, p. 21.)

The repayment status figures indicate that the rise in forbearance has largely offset a general downward trend in delinquency rates. If this pattern continues to hold during the next few years, the use of forbearance may be established as an effective debt management and default prevention tool.

The goal of USA Group's Stafford indebtedness research is to provide basic, up-to-date empirical data on trends in student indebtedness to help inform the financial aid community and public policymakers about indebtedness issues. The results of the study's 1999 update show that average debt levels are continuing to rise, but that student loan repayment burdens appear to be manageable for most borrowers, at least for the time being.

Slightly more than nine in 10 Stafford borrowers continue to rely on the standard, 10-year, equal-installment repayment plan.

Endnotes

1 U.S. Department of Education.
2 *Trends in Student Aid: 1999*, The College Board, pp. 4.
3 *Trends in Student Aid: 1999*, pp. 6 and 10.
4 U.S. Department of Education, the College Board. Note: in 1991-92, unsubsidized student loans were provided under the Supplemental Loans for Students (SLS) program. SLS loans were replaced by unsubsidized Stafford loans and discontinued in 1994.
5 *Trends in Student Aid: 1999*, p. 6.
6 *Trends in College Pricing: 1999*, The College Board, p. 14.
7 Patricia M. Scherschel, *Stafford Indebtedness: Are Borrowers Pushing the Limits?*, USA Group Foundation, November 1998.

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Figure 1

Growing Borrower Dependency on Unsubsidized Stafford Loans

Volume share of unsubsidized loans:

- **15.8% in 1991-92 financial aid award year**
- **36.9% in 1996-97 financial aid award year**
- **39.4% in 1997-98 financial aid award year**
- **40.5% in 1998-99 financial aid award year**

Trends in Average Stafford Debt Burdens

Figure 2

Average Cumulative Stafford Borrowing

Average cumulative Stafford principal for borrowers who graduated or left school in the first half of 1999.

	Average Debt Level 1999	% Change From 1998	% Change From 1995	Compounded Average Annual % Change 1995-1999
Graduate	$23,022	6.1%	104.5%	19.6%
Undergraduate	$9,805	3.4%	15.7%	3.7%
Community College	$4,559	4.2%	29.1%	6.6%
Proprietary School	$8,237	6.8%	65.4%	13.4%

Average Cumulative Stafford Debts, Including Accrued Interest on Unsubsidized Loans

Average total Stafford loan balance, including principal and accrued interest for borrowers who graduated or left school in the first half of 1999.

	Average Debt Level 1999	% Change From 1998	% Change From 1995	Compounded Average Annual % Change 1995-1999
Graduate	$24,479	6.7%	115.5%	21.2%
Undergraduate	$10,173	3.5%	19.0%	4.4%
Community College	$4,728	4.5%	32.6%	7.3%
Proprietary School	$8,541	6.8%	69.6%	14.1%

Impact of Accrued Interest on Average Stafford Debt Burdens in 1999

	Portion of Total Balance Due to Accrued Interest	Accrued Interest as % of Cumulative Stafford Borrowing
Graduate	$1,457	6.33%
Undergraduate	$369	3.76%
Community College	$168	3.70%
Proprietary School	$304	3.69%

Source: USA Group Loan Services, Inc./USA Group, Inc.

Figures 3-5

3: Borrower Distribution

The share of students who owe less than $10,000 is shrinking.

	1999	1998	1997	1996	1995
Graduate	37.6%	41.0%	43.8%	47.3%	57.2%
Undergraduate	59.9%	62.2%	62.2%	63.4%	66.3%
Proprietary	68.5%	71.0%	74.9%	78.6%	91.4%
Community College	90.8%	92.2%	93.5%	94.8%	97.6%

Note: Distribution figures are based on total Stafford loan balances, including accrued interest

4: Borrower Distribution

The share of students owing $10,000 or more increased significantly in 1999.

	1999	1998	1997	1996	1995
Graduate	62.4%	59.0%	56.2%	52.7%	42.8%
Undergraduate	40.1%	37.8%	37.8%	36.6%	33.7%
Proprietary	31.5%	29.0%	25.1%	21.4%	8.6%
Community College	9.2%	7.8%	6.5%	5.2%	2.4%

Note: Distribution figures are based on total Stafford loan balances, including accrued interest

5: Borrower Distribution

The ranks of student borrowers who leave school with debts in excess of $25,000 are growing rapidly.

	1999	1998	1997	1996	1995
Graduate	28.0%	27.0%	24.1%	19.3%	10.0%
Undergraduate	6.7%	6.3%	5.8%	4.6%	3.0%
Proprietary	2.7%	2.3%	1.2%	0.3%	0.1%

Note: Distribution figures are based on total Stafford loan balances, including accrued interest

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Debt-to-Income Ratios/Comparative Analysis—1999 Debt Burdens

Depending on individual circumstances, different borrowers will experience monthly payment stress at debt-to-income ratios that are higher or lower than the standard 8% cited by lenders. In general, modest income borrowers are likely to experience stress at lower debt-to-income rations, while higher-income borrowers will be able to tolerate higher debt-burden ratios. Although minimum income requirements decline as the debt-burden ratio rises, borrowers should realize that they must allocate more of their discretionary income toward student loan payments and will have less money available for other consumer expenditures, including rent, food, and transportation. This table shows the minimum annual income needed to meet each of five debt-to-income ratios, ranging from 5% to 15%, for the typical Stafford debt burdens facing borrowers entering repayment in the second half of 1999.

Borrower Category	Average Balance	Monthly Payment	Annual Income Needed to Support Debt/Income Ratio of: 5%	8%	10%	12%	15%
UNDERGRADUATE STUDENTS							
All Borrowers	**$10,173**	**$123**	**$29,520**	**$18,450**	**$14,760**	**$12,300**	**$9,840**
Borrowers Who Owe:							
Less than $5,000	$2,721	$50	$12,000	$7,500	$6,000	$5,000	$4,000
$5,000 to $9,999	$6,972	$85	$20,400	$12,750	$10,200	$8,500	$6,800
$10,000 to $14,999	$12,133	$147	$35,280	$22,050	$17,640	$14,700	$11,760
$15,000 to $19,999	$17,293	$210	$50,400	$31,500	$25,200	$21,000	$16,800
$20,000 to $24,999	$22,060	$268	$64,320	$40,200	$32,160	$26,800	$21,440
$25,000 or more	$33,491	$406	$97,440	$60,900	$48,720	$40,600	$32,480
GRADUATE STUDENTS							
All Borrowers	**$24,479**	**$297**	**$71,280**	**$44,550**	**$35,640**	**$29,700**	**$23,760**
Borrowers Who Owe:							
Less than $5,000	$2,841	$50	$12,000	$7,500	$6,000	$5,000	$4,000
$5,000 to $9,999	$7,161	$87	$20,800	$13,050	$10,440	$8,700	$6,960
$10,000 to $14,999	$12,282	$149	$35,760	$22,350	$17,880	$14,900	$11,920
$15,000 to $19,999	$17,516	$213	$51,120	$31,950	$25,560	$21,300	$17,040
$20,000 to $24,999	$21,832	$265	$63,600	$39,750	$31,800	$26,500	$21,200
$25,000 or more	$60,758	$737	$176,880	$110,500	$88,440	$73,700	$58,960
COMMUNITY COLLEGE STUDENTS							
All Borrowers	**$4,728**	**$57**	**$13,680**	**$8,550**	**$6,840**	**$5,700**	**$4,560**
Borrowers Who Owe:							
Less than $5,000	$2,475	$50	$12,000	$7,500	$6,000	$5,000	$4,000
$5,000 to $9,999	$6,763	$82	$19,680	$12,300	$9,840	$8,200	$6,560
$10,000 to $14,999	$12,268	$149	$35,760	$22,350	$17,880	$14,900	$11,920
$15,000 to $19,999	$17,048	$207	$49,680	$31,050	$24,840	$20,700	$16,560
$20,000 to $24,999	$22,224	$270	$64,800	$40,500	$32,400	$27,000	$21,600
$25,000 or more	$29,822	$362	$86,880	$54,300	$43,440	$36,200	$28,960
PROPRIETARY SCHOOL STUDENTS							
All Borrowers	**$8,541**	**$104**	**$24,960**	**$15,600**	**$12,480**	**$10,400**	**$8,320**
Borrowers Who Owe:							
Less than $5,000	$2,784	$50	$12,000	$7,500	$6,000	$5,000	$4,000
$5,000 to $9,999	$7,311	$89	$21,360	$13,350	$10,680	$8,900	$7,120
$10,000 to $14,999	$12,570	$153	$36,720	$22,950	$18,360	$15,300	$12,240
$15,000 to $19,999	$17,324	$210	$50,400	$31,500	$25,200	$21,000	$16,800
$20,000 to $24,999	$21,583	$262	$62,880	$39,300	$31,440	$26,200	$20,960
$25,000 or more	$34,369	$417	$100,080	$62,550	$50,040	$41,700	$33,360

Note: The initial loan amounts include principal and accrued interest. The monthly payment is based on the standard payment plan, which has a maximum payback period of 10 years. Stafford loans charge a variable interest rate that is adjusted annually, subject to a maximum rate of 8.25%. For calculation purposes, the interest rate is assumed to hold constant at 8%, and monthly payments are rounded to the nearest whole dollar. Stafford borrowers are required to make minimum monthly payments of $50; thus low-dollar loan balances (less than $4,200) will be repaid in less than 10 years.

Source: *USA Group Loan Services, Inc./USA Group, Inc.*

Figure 6

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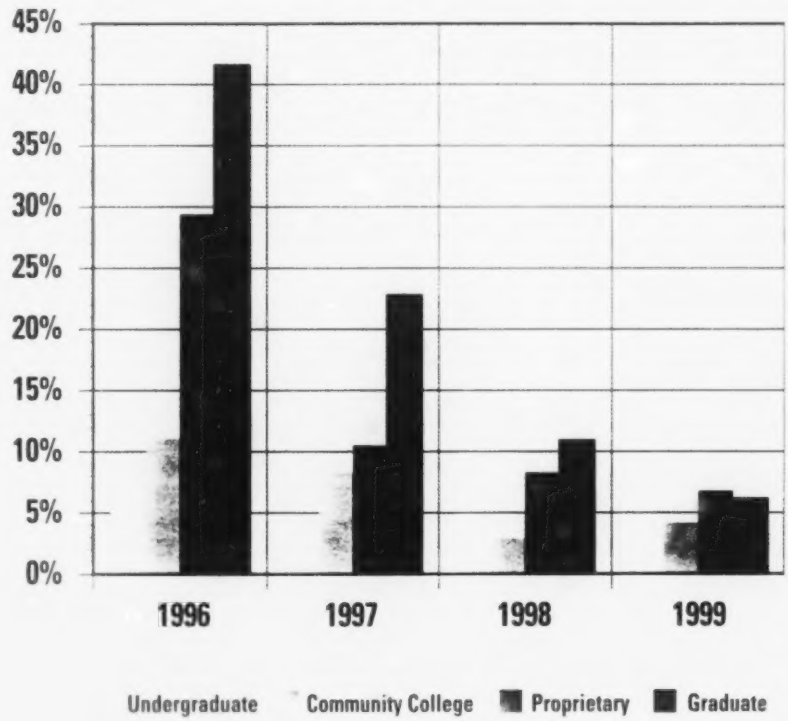
Chart 1

Annual Growth Rates in Average Stafford Indebtedness

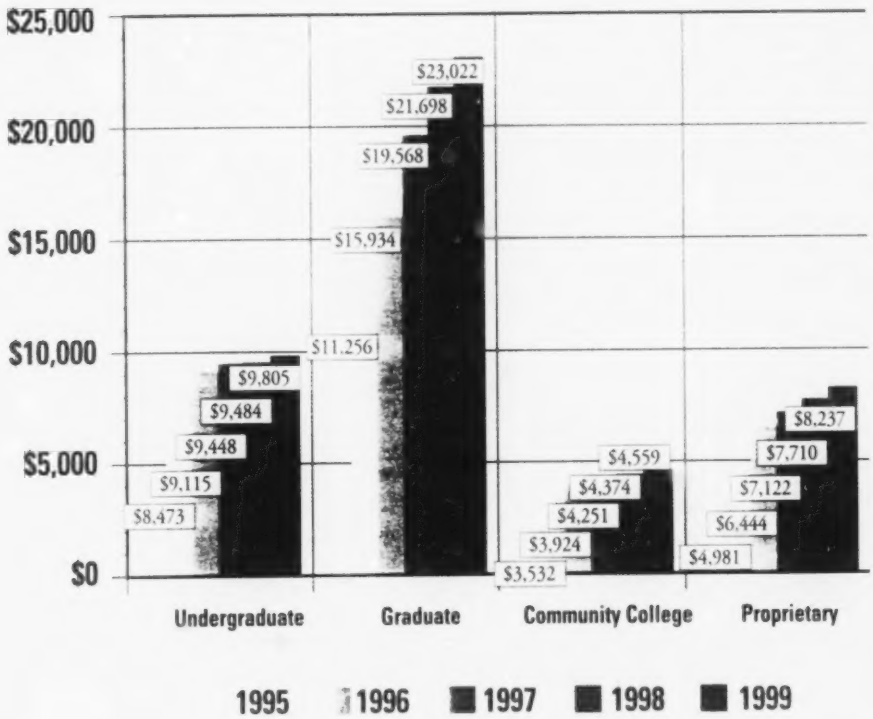
Average Cumulative Stafford Borrowing—Principal Only



Source: USA Group Loan Services, Inc./USA Group, Inc.

Average Cumulative Stafford Borrowing—Principal Only

Chart 2



Notes: Figures show average Stafford indebtedness for students leaving school during the first six months of the year. Accrued interest on unsubsidized Stafford loans is not included.

Source: USA Group Loan Services, Inc./USA Group, Inc.

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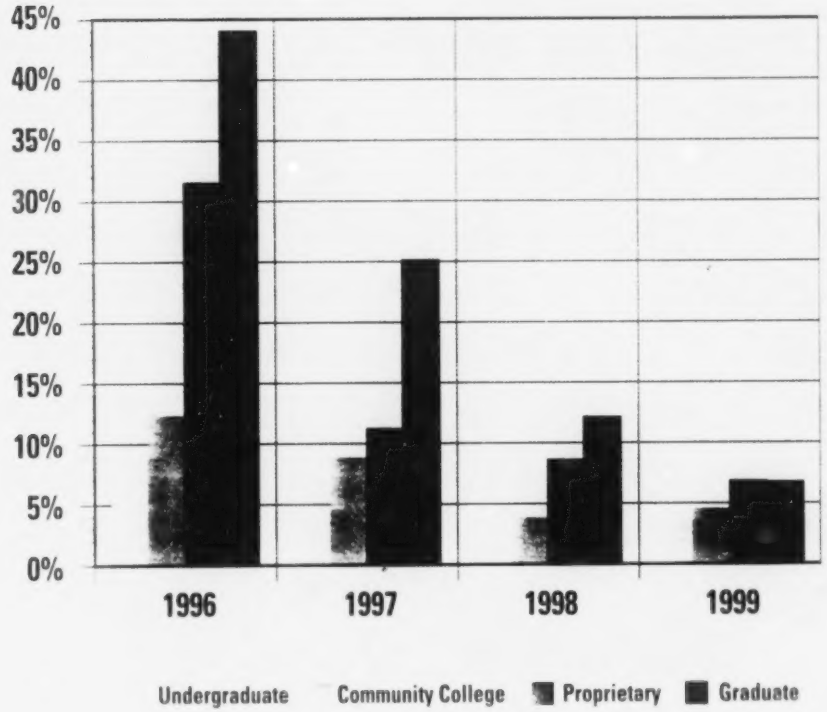
Chart 3

Annual Growth Rates in Average Stafford Indebtedness

Average Total Balance—Including Accrued Interest



Source: USA Group Loan Services, Inc./USA Group, Inc.

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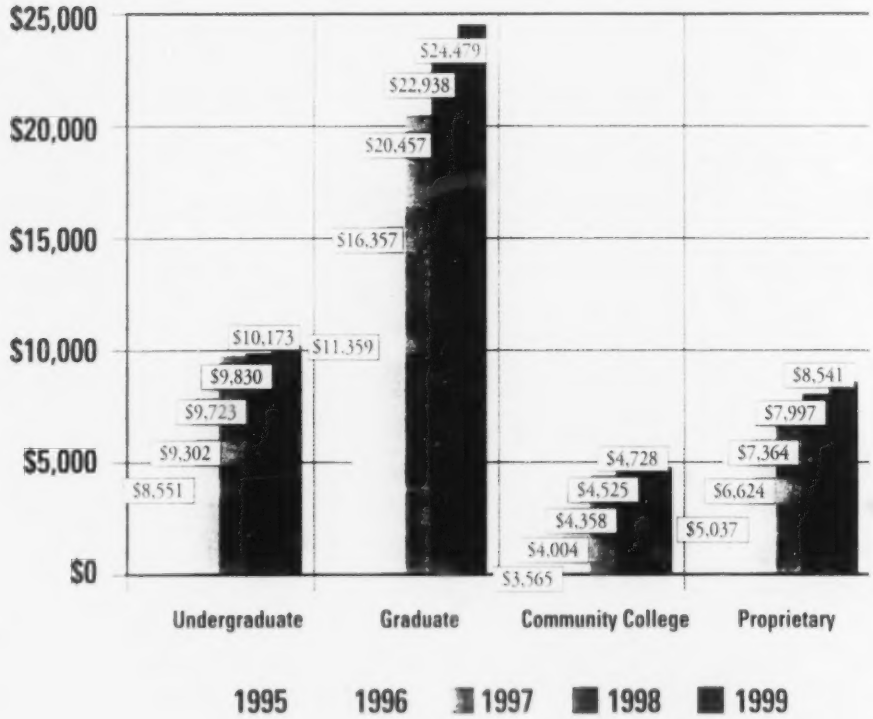
Average Cumulative Stafford Borrowing—Principal Only

Chart 4



Notes: Figures show average Stafford loan disbursements and accrued but unpaid interest on unsubsidized Stafford loans for borrowers who left school in the first six months of the year.

Source: USA Group Loan Services, Inc./USA Group, Inc.

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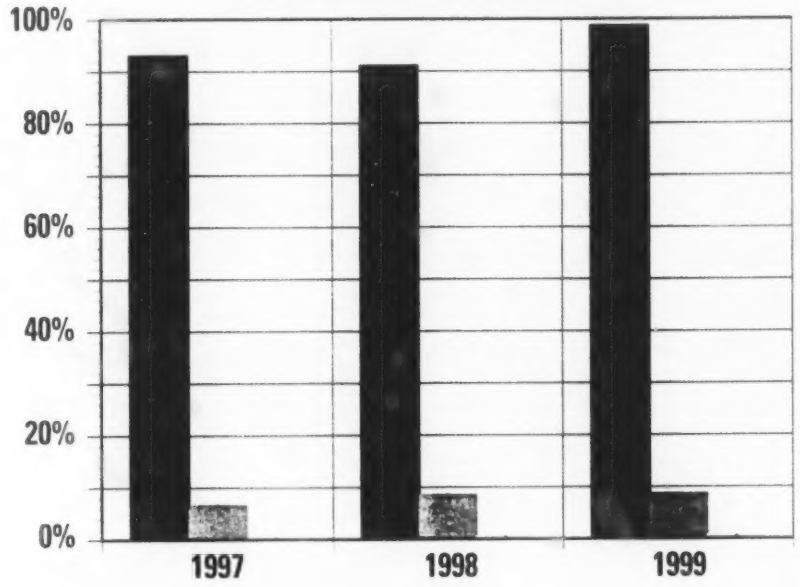
Charts 5 & 6

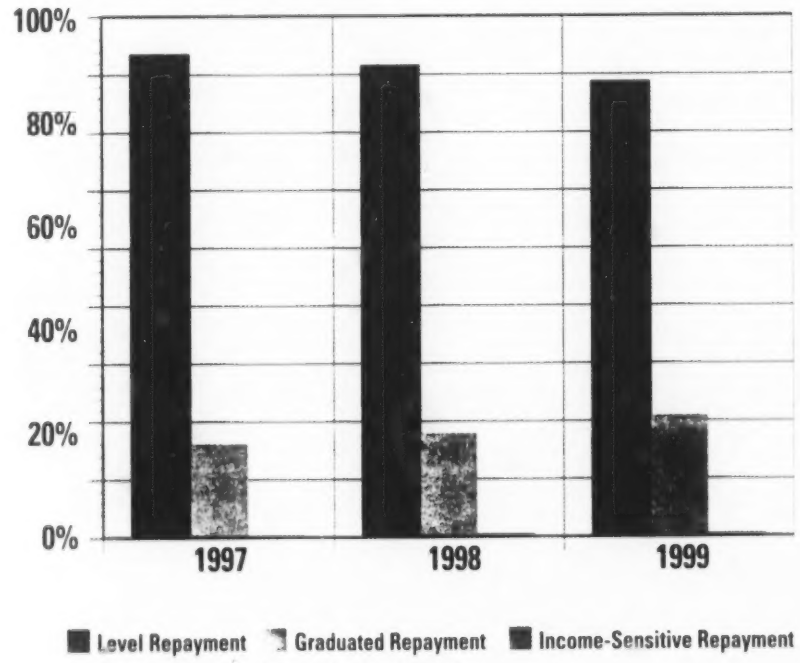
5: Repayment Plan Selection Rates

Percentage Distribution for Stafford Borrowers Entering Repayment



6: Repayment Plan Selection Rates

Percentage Distribution for New Consolidation Loans



Source: USA Group Loan Services, Inc./USA Group, Inc.

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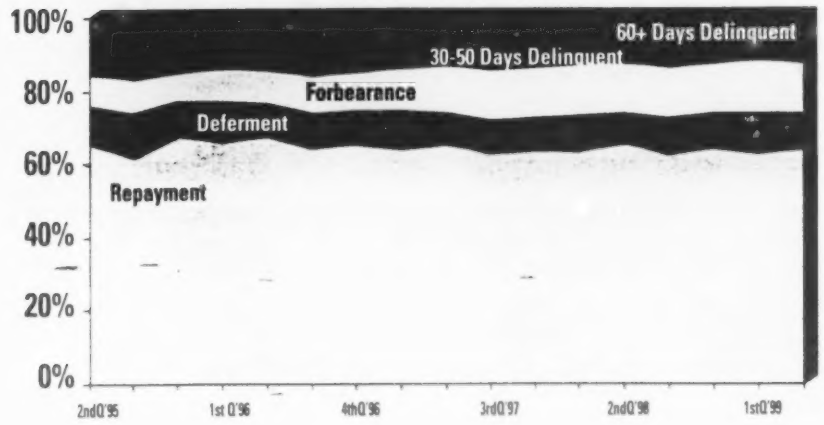
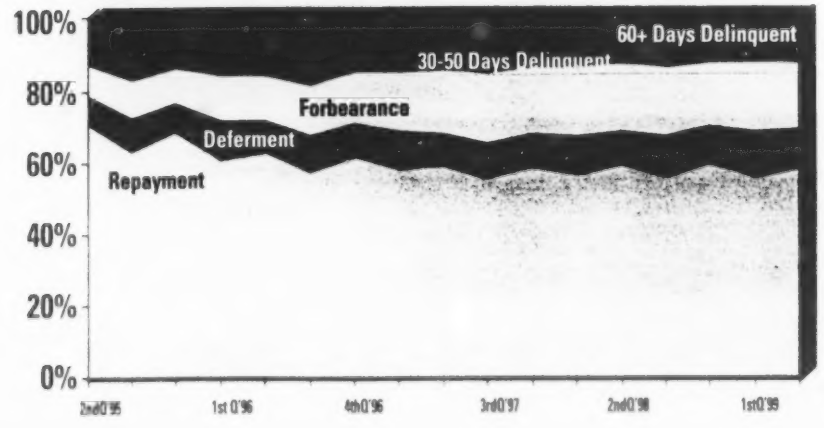
7: Repayment/Delinquency Status of Borrowers
Subsidized Stafford Loans–June 1995 through June 1999



Note: This chart reflects payment status for all subsidized Stafford borrowers whose accounts are serviced by USA Group Loan Services and who are no longer in school or the six-month grace period.

Source: USA Group Loan Services, Inc./USA Group, Inc.

8: Repayment/Delinquency Status of Borrowers
Unsubsidized Stafford Loans–June 1995 through June 1999



Note: This chart reflects payment status for all unsubsidized Stafford borrowers whose accounts are serviced by USA Group Loan Services and who are no longer in school or the six-month grace period.

Source: USA Group Loan Services, Inc./USA Group, Inc.

Charts 7 & 8

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Table I.1 Average Cumulative Stafford Borrowing by Graduate Students

The average, cumulative, Stafford principal balance for graduate borrowers who left school in the first half of 1999 is estimated to be about $23,000, and more than 27% owe $25,000 or more.

	Distribution of Borrowers Entering Six-Month, Post-School Grace Period During Repayment Period					Average Stafford Loan Balance upon Entering Post-School Grace Period				
	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95
All Borrowers	**100%**	**100%**	**100%**	**100%**	**100%**	**$23,022**	**$21,698**	**$19,568**	**$15,934**	**$11,256**
% change in Average Balance from Previous Year:						**+6.1%**	**+10.9%**	**+22.8%**	**+41.6%**	—
Borrowers Who Owe:										
Less than $5,000	18.7%	19.4%	22.1%	23.7%	28.4%	$2,790	$2,816	$2,700	$2,737	$2,698
$5,000 - $9,999	19.8%	22.3%	22.4%	24.2%	29.0%	$7,107	$6,994	$7,110	$7,119	$7,141
$10,000 - $14,999	14.3%	13.5%	14.4%	15.3%	18.1%	$12,258	$12,035	$12,072	$12,225	$12,123
$15,000 - $19,999	15.2%	14.1%	13.1%	13.2%	10.7%	$17,454	$17,372	$17,416	$17,276	$16,976
$20,000 - $24,999	4.8%	4.6%	4.4%	4.8%	3.9%	$22,183	$22,229	$22,282	$22,352	$22,360
$25,000 or more	27.2%	26.2%	23.6%	18.8%	9.9%	$57,465	$55,435	$52,419	$44,284	$35,646

Notes: Accrued (but not yet capitalized) interest is not included. Accrued interest will be added to principal balance at start of repayment. Loan balances include Stafford loans used to fund undergraduate studies. Percentages may not add to 100 due to rounding.

Source: USA Group Loan Services, Inc./USA Group, Inc.

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Table I.2 Average Cumulative Stafford Borrowing by Undergraduate Students

The average, cumulative, Stafford principal balance for undergraduate borrowers who left school during the first half of 1999 is estimated to be just over $9,800. Still, one third owe less than $5,000.

	Distribution of Borrowers Entering Six-Month, Post-School Grace Period During Repayment Period					Average Stafford Loan Balance upon Entering Post-School Grace Period				
	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95
All Borrowers	**100%**	**100%**	**100%**	**100%**	**100%**	**$9,805**	**$9,484**	**$9,448**	**$9,115**	**$8,473**
% change in Average Balance from Previous Year:						**+3.4%**	**+0.4%**	**+3.7%**	**+7.6%**	**—**
Borrowers Who Owe:										
Less than $5,000	33.3%	35.7%	34.0%	32.9%	35.6%	$2,671	$2,662	$2,713	$2,714	$2,650
$5,000 - $9,999	27.4%	27.2%	29.0%	31.1%	30.9%	$6,884	$6,875	$6,891	$6,954	$7,013
$10,000 - $14,999	16.9%	15.6%	16.2%	17.6%	17.8%	$12,065	$12,077	$12,116	$12,109	$12,108
$15,000 - $19,999	12.2%	11.9%	11.5%	10.6%	9.8%	$17,183	$17,165	$17,155	$17,080	$16,847
$20,000 - $24,999	4.2%	3.9%	4.0%	3.4%	2.9%	$22,035	$22,090	$22,151	$22,140	$22,098
$25,000 or more	6.1%	5.7%	5.3%	4.3%	3.0%	$32,581	$32,807	$32,392	$31,215	$31,025

Notes: Accrued (but not yet capitalized) interest is not included. Accrued interest will be added to principal balance at start of repayment. Percentages may not add to 100 due to rounding.

Source: USA Group Loan Services, Inc./USA Group, Inc.

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Table I.3 Average Cumulative Stafford Borrowing by Students Attending Two-Year Colleges

The average, cumulative, Stafford principal balance for borrowers who left community college or two-year or three-year schools during the first half of 1999 is estimated to be $4,600. Two-thirds owe less than $5,000.

	Distribution of Borrowers Entering Six-Month, Post-School Grace Period During Reporting Period					Average Stafford Loan Balance upon Entering Post-School Grace Period				
	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95
All Borrowers	**100%**	**100%**	**100%**	**100%**	**100%**	**$4,559**	**$4,374**	**$4,251**	**$3,924**	**$3,532**
% change in Average Balance from Previous Year:						**+4.2%**	**+2.9%**	**+8.3%**	**+11.1%**	—
Borrowers Who Owe:										
Less than $5,000	66.0%	66.9%	67.4%	71.6%	74.9%	$2,445	$2,452	$2,476	$2,433	$2,377
$5,000 - $9,999	25.3%	26.0%	26.5%	23.6%	22.8%	$6,657	$6,624	$6,692	$6,629	$6,553
$10,000 - $14,999	6.0%	5.1%	4.9%	4.2%	2.3%	$12,155	$12,150	$12,126	$12,136	$11,028
$15,000 - $19,999	1.7%	1.4%	1.0%	0.5%	Less than 0.1%	$17,009	$17,165	$16,691	$16,625	—
$20,000 - $24,999	0.7%	0.5%	0.2%	0.1%	0%	$22,198	$22,007	$22,121	$21,487	—
$25,000 or more	0.3%	0.1%	Less than 0.1%	Less than 0.1%	0%	$28,876	$28,743	—	—	—

Notes: Accrued (but not yet capitalized) interest is not included. Accrued interest will be added to principal balance at start of repayment. Data include students attending three-year schools. Percentages may not add to 100 due to rounding.

Source: USA Group Loan Services, Inc./USA Group, Inc.

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Table I.4 Average Cumulative Stafford Borrowing by Proprietary School Students

The average, cumulative, Stafford principal balance for borrowers who left proprietary school during the first half of 1999 is estimated to be about $8,200. Nearly 70% owe less than $10,000.

	Distribution of Borrowers Entering Six-Month, Post-School Grace Period During Reporting Period					Average Stafford Loan Balance upon Entering Post-School Grace Period				
	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95
All Borrowers	**100%**	**100%**	**100%**	**100%**	**100%**	**$8,237**	**$7,710**	**$7,122**	**$6,444**	**$4,981**
% change in Average Balance from Previous Year:						**+6.8%**	**+8.3%**	**+10.5%**	**+29.4%**	**—**
Borrowers Who Owe:										
Less than $5,000	39.0%	42.4%	43.6%	47.2%	57.7%	$2,761	$2,613	$2,642	$2,692	$2,666
$5,000 - $9,999	30.8%	30.1%	32.7%	32.3%	34.1%	$7,286	$7,262	$7,151	$7,127	$6,962
$10,000 - $14,999	16.8%	15.4%	14.2%	15.6%	6.4%	$12,483	$12,491	$12,550	$12,543	$11,353
$15,000 - $19,999	9.0%	8.1%	6.6%	3.5%	1.4%	$17,536	$17,469	$17,376	$17,105	$17,041
$20,000 - $24,999	2.3%	2.2%	1.9%	1.0%	0.4%	$22,226	$22,295	$21,935	$21,565	$21,726
$25,000 or more	2.2%	1.8%	0.9%	0.3%	0.1%	$34,141	$32,765	$30,207	$29,036	$39,460

Notes: Accrued (but not yet capitalized) interest is not included. Accrued interest will be added to principal balance at start of repayment. Percentages may not add to 100 due to rounding.

Source: USA Group Loan Services, Inc./USA Group, Inc.

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Table II.1 Average Cumulative Total Stafford Loan Balances for Graduate/Professional Students

*The average **total** Stafford loan balance, including principal and accrued interest, for graduate borrowers who left school in the first half of 1999 is nearly $24,500. More than one-fourth borrowed $25,000 or more; still, 38% owed less than $10,000.*

	Distribution of Borrowers Entering Six-Month, Post-School Grace Period During Reporting Period					Average Stafford Loan Balance upon Entering Post-School Grace Period				
	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95
All Borrowers	**100%**	**100%**	**100%**	**100%**	**100%**	**$24,479**	**$22,938**	**$20,457**	**$16,357**	**$11,359**
% change in Average Balance from Previous Year:						**+6.7%**	**+12.1%**	**+25.1%**	**+44.0%**	—
Borrowers Who Owe:										
Less than $5,000	18.3%	19.0%	21.8%	23.5%	28.3%	$2,841	$2,854	$2,722	$2,754	$2,708
$5,000 - $9,999	19.3%	22.0%	21.8%	23.9%	28.9%	$7,161	$7,055	$7,143	$7,172	$7,181
$10,000 - $14,999	14.1%	13.3%	14.3%	15.2%	18.0%	$12,282	$12,121	$12,140	$12,310	$12,164
$15,000 - $19,999	13.8%	13.2%	12.8%	13.3%	10.9%	$17,516	$17,589	$17,584	$17,482	$17,077
$20,000 - $24,999	6.5%	5.5%	5.0%	4.9%	3.9%	$21,832	$22,018	$22,147	$22,334	$22,414
$25,000 or more	28.0%	27.0%	24.1%	19.3%	10.0%	$60,758	$58,134	$54,646	$45,242	$35,836

Notes: The accrued interest will not be capitalized until the beginning of the borrower's repayment period. Percentages may not add to 100 due to rounding.

Source: USA Group Loan Services, Inc./USA Group, Inc.

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Table II.2 Average Cumulative Total Stafford Loan Balances for Undergraduate Students

*The average **total** Stafford loan balance, including principal and accrued interest, for undergraduate borrowers who left school during the first half of 1999 is nearly $10,200 but slightly less than one-third owe less than $5,000.*

	Distribution of Borrowers Entering Six-Month, Post-School Grace Period During Reporting Period					Average Stafford Loan Balance upon Entering Post-School Grace Period				
	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95
All Borrowers	**100%**	**100%**	**100%**	**100%**	**100%**	**$10,173**	**$9,830**	**$9,723**	**$9,302**	**$8,551**
% change in Average Balance from Previous Year:						**+3.5%**	**+1.1%**	**+4.5%**	**+8.8%**	**—**
Borrowers Who Owe:										
Less than $5,000	32.9%	35.3%	33.7%	32.6%	35.4%	$2,721	$2,713	$2,752	$2,733	$2,658
$5,000 - $9,999	27.0%	26.9%	28.6%	30.8%	30.8%	$6,972	$6,950	$6,949	$6,993	$7,037
$10,000 - $14,999	16.5%	15.3%	16.2%	17.5%	17.9%	$12,133	$12,130	$12,175	$12,143	$12,146
$15,000 - $19,999	12.2%	11.8%	11.5%	11.0%	9.9%	$17,293	$17,269	$17,271	$17,185	$16,899
$20,000 - $24,999	4.7%	4.4%	4.3%	3.5%	2.9%	$22,060	$22,095	$22,104	$22,198	$22,120
$25,000 or more	6.7%	6.3%	5.8%	4.6%	3.0%	$53,491	$33,733	$33,114	$31,921	$31,203

Notes: The accrued interest will not be capitalized until the beginning of the borrower's repayment period. Percentages may not add to 100 due to rounding.

Source: USA Group Loan Services, Inc./USA Group, Inc.

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Table II.3 Average Total Stafford Borrowing by Students Attending Two-Year Colleges

The average total Stafford loan balance, including principal and accrued interest, for borrowers who left community colleges, two-year schools, or three-year schools during the first half of 1999 is estimated to be about $4,700. Nearly two-thirds of these borrowers owe less than $5,000.

	Distribution of Borrowers Entering Six-Month, Post-School Grace Period During Repayment Period					Average Stafford Loan Balance upon Entering Post-School Grace Period				
	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95
All Borrowers	**100%**	**100%**	**100%**	**100%**	**100%**	**$4,728**	**$4,525**	**$4,358**	**$4,004**	**$3,565**
% change in Average Balance from Previous Year:						**+4.5%**	**+3.8%**	**+8.8%**	**+12.3%**	**—**
Borrowers Who Owe:										
Less than $5,000	65.3%	66.2%	66.9%	71.2%	74.6%	$2,475	$2,482	$2,500	$2,452	$2,387
$5,000 - $9,999	25.5%	26.0%	26.5%	23.7%	22.9%	$6,763	$6,723	$6,760	$6,701	$6,589
$10,000 - $14,999	6.0%	5.3%	5.0%	4.4%	2.4%	$12,268	$12,304	$12,199	$12,276	$11,136
$15,000 - $19,999	1.9%	1.6%	1.2%	0.7%	Less than 0.1%	$17,048	$17,187	$16,796	$16,650	—
$20,000 - $24,999	0.8%	0.6%	0.2%	0.1%	0%	$22,224	$21,991	$21,659	$21,313	—
$25,000 or more	0.5%	0.3%	0.1%	Less than 0.1%	0%	$29,822	$28,800	$26,791	—	—

Notes: The accrued interest will be capitalized at the beginning of the borrower's repayment period. Data include students attending three-year schools. Percentages may not add to 100 due to rounding.

Source: USA Group Loan Services, Inc./USA Group, Inc.

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Table II.4 Average Cumulative Total Stafford Loan Balances for Proprietary School Students

*The average **total** Stafford loan balance, including principal and accrued interest, for proprietary school borrowers who left school during the first half of 1999 is estimated to be more than $8,500. Nearly 70% of these borrowers owe less than $10,000.*

	Distribution of Borrowers Entering Six-Month, Post-School Grace Period During Repayment Period					Average Stafford Loan Balance upon Entering Post-School Grace Period				
	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95	1/1/99 thru 6/30/99	1/1/98 thru 6/30/98	1/1/97 thru 6/30/97	1/1/96 thru 6/30/96	1/1/95 thru 6/30/95
All Borrowers	**100%**	**100%**	**100%**	**100%**	**100%**	**$8,541**	**$7,997**	**$7,364**	**$6,624**	**$5,037**
% change in Average Balance from Previous Year:						**+6.8%**	**+8.6%**	**+11.2%**	**+31.5%**	**—**
Borrowers Who Owe:										
Less than $5,000	38.6%	41.7%	42.8%	46.5%	57.0%	$2,784	$2,619	$2640	$2,698	$2,661
$5,000 - $9,999	29.9%	29.4%	32.2%	31.9%	34.4%	$7,311	$7,267	$7,169	$7,157	$6,963
$10,000 - $14,999	16.8%	15.7%	14.5%	15.0%	6.7%	$12,570	$12,562	$12,639	$12,539	$11,383
$15,000 - $19,999	8.3%	7.5%	6.6%	4.9%	1.4%	$17,324	$17,342	$17,354	$16,761	$17,022
$20,000 - $24,999	3.8%	3.5%	2.8%	1.2%	0.4%	$21,583	$21,645	$21,753	$21,813	$21,639
$25,000 or more	2.7%	2.3%	1.2%	0.3%	0.1%	$34,369	$33,016	$30,427	$29,641	$38,285

Notes: The accrued interest will be capitalized at the beginning of the borrower's repayment period. Percentages may not add to 100 due to rounding.

Source: USA Group Loan Services, Inc./USA Group, Inc.

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Impact of Accrued Interest

Table III.1

Average increase in total Stafford Loan balance due to accrued interest on unsubsidized loans:

	1999	1998	1997	1996	1995
Graduate	$1,457	$1,240	$889	$423	$103
Undergraduate	$ 369	$ 346	$275	$187	$ 78
Community College	$ 168	$ 151	$107	$ 80	$ 33
Proprietary	$ 304	$ 287	$242	$180	$ 56

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